

Transient Occupancy Tax Fund

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T*o provide funding for Convention Facilities Operations and Maintenance, Cultural Development, and the San José Convention and Visitors Bureau*

Beginning in 1982, the City Council instituted a 6% Transient Occupancy Tax (TOT) on all hotel/motel rooms in San José. The revenues are collected in the TOT Fund (461) and the increment of growth is distributed by formula to three program categories: Convention Facilities Operations and Maintenance (50% of the TOT increase), Cultural Development (25% of the TOT increase) and the San José Convention and Visitors Bureau (25% of the TOT increase).

Transient Occupancy Tax Fund

Budget Summary

	2009-2010 Adopted	2010-2011 Adopted	Change
Convention Facilities Operations and Maintenance	\$ 4,062,900	\$ 4,757,365	17.1%
Cultural Development	\$ 3,448,029	\$ 4,016,727	16.5%
San José Convention & Visitors Bureau	\$ 2,224,768	\$ 2,572,000	15.6%

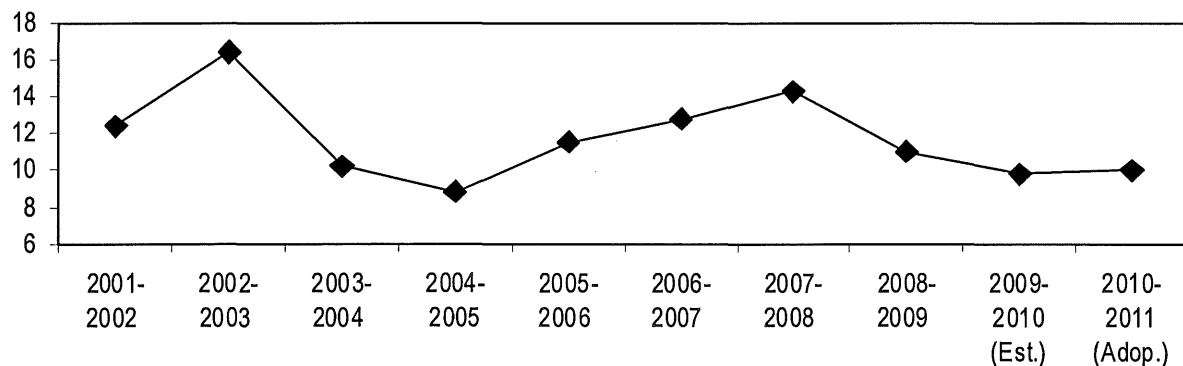
Budget Highlights 2010-2011

□ In 2010-2011, the resources allocated to the three recipient organizations are increasing significantly, as the 2009-2010 allocations were reduced to make up for revenue shortfalls in 2008-2009.

□ In 2010-2011, TOT revenues are expected to increase slightly (2%) from the 2009-2010 estimated collection level.

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10 Year View of TOT Collections (\$ In Millions)



Transient Occupancy Tax Fund

Fund Overview

By ordinance, the Transient Occupancy Tax (TOT) Fund (6% of the 10% TOT) is used to provide funding for Convention Facilities Operations and Maintenance, Cultural Development, and the San José Convention and Visitors Bureau (CVB).

The level of TOT collections is directly related to the status of the economy. When the economy is growing and functioning smoothly, TOT revenues tend to increase. Conversely, when the economy is in a state of decline, as it has been during the past two years, TOT revenues tend to decline. When the economy declines, convention, business travel, and tourism activity decrease, which leads to lower occupancy rates in the hotels. With decreased occupancy, the hotels tend to reduce room rates in an effort to retain and attract business, which negatively impacts TOT collections. As such, TOT revenues have been decreasing over the last two years.

In 2008-2009, TOT collections (\$11.5 million) fell approximately 20% below 2007-2008 levels (\$14.3 million), with average room rates and occupancy rates falling significantly from

2007-2008 levels. The 2009-2010 Adopted Budget assumed further declines in TOT, with a 14.3% reduction from actual 2008-2009 levels. In an encouraging sign, TOT revenues through spring 2010 appear to be stabilizing, with the average occupancy rates exceeding average rates from 2008-2009. The average room rates have yet to rebound to 2008-2009 levels; however these rates have shown signs of improvements as well. It appears that 2009-2010 collections will meet the budgeted estimate.

With an indication that TOT may have stabilized, the 2010-2011 Adopted Operating Budget assumes modest growth of 2%, which will be closely monitored. It should be noted that while TOT is projected to grow by 2%, the allocations for the three recipient organizations are projected to increase by a much larger percentage, as the 2009-2010 allocations were reduced to make up for lower than anticipated collections in 2008-2009. If TOT collections do not grow in 2010-2011, as currently anticipated, the allocations to the three recipient organizations will also need to be revised.

Transient Occupancy Tax Fund

Fund Summary

	2008-2009 Actual 1	2009-2010 Adopted 2	2009-2010 Estimate 3	2010-2011 Adopted 4	% Change (2 to 4)
Dollars by Sources					
Beginning Fund Balance	\$ 4,518,333	\$ 1,701,370	\$ 1,730,804	\$ 3,050,521	79.3%
TOT Revenues	11,471,045	9,829,000	9,829,000	10,025,000	2.0%
Interest/Other	83,411	15,000	13,000	8,834	(41.1%)
Total	\$ 16,072,789	\$ 11,545,370	\$ 11,572,804	\$ 13,084,355	13.3%
Dollars by Uses					
Convention Facilities Operations and Maintenance	\$ 6,732,085	\$ 4,062,900	\$ 3,889,922	\$ 4,757,365	17.1%
Cultural Development	4,049,998	3,448,029	2,494,082	4,016,727	16.5%
SJ Convention/Visitors Bureau	3,559,360	2,224,768	2,138,279	2,572,000	15.6%
Ending Fund Balance and Misc.	1,731,346	1,809,673	3,050,521	1,738,263	(3.9%)
Total	\$ 16,072,789	\$ 11,545,370	\$ 11,572,804	\$ 13,084,355	13.3%

Transient Occupancy Tax Fund

Budget Category: Convention Facilities Operations and Maintenance

Budget Category Overview

Convention Facilities Operations and Maintenance supports a portion of the administration, maintenance, and operations costs at the Convention Facilities operated by Team San José, which includes the Convention Center, Center for Performing Arts, California Theater, Montgomery Theater, Civic Auditorium, Parkside Hall, and McCabe Hall. The remaining operating costs are funded by operating revenues from these facilities, which are captured in the Convention

and Cultural Affairs Fund. Because the total operating expenses are not delineated by funding source, the specific operations supported by TOT funding cannot be isolated. Personal services and non-personal/equipment expenses, which are partially funded by the increment of growth in the TOT, appear in the Convention Facilities Department section of this document.

Budget Category Summary

	2008-2009 Actual 1	2009-2010 Adopted 2	2009-2010 Estimate 3	2010-2011 Adopted 4	% Change (2 to 4)
Convention Facilities Operations and Maintenance	\$ 6,732,085	\$ 4,062,900	\$ 3,889,922	\$ 4,757,365	17.1%
Total	\$ 6,732,085	\$ 4,062,900	\$ 3,889,922	\$ 4,757,365	17.1%

Transient Occupancy Tax Fund

Budget Category: Cultural Development

Budget Category Overview

Each year, the Arts Commission solicits and evaluates applications for funding under the Cultural Development category using award criteria approved by the City Council. The Arts Commission then submits recommendations for Cultural Grants and Technical Assistance Grants to the City Council for consideration during the annual budget process. All unexpended Cultural Development funding is traditionally rebudgeted for expenditure in the next fiscal year.

Detailed information for the 2010-2011 TOT Cultural Development category, which includes Cultural Grants/Programs and Services, are listed in this section to provide a picture of the City's Cultural Development Program. It should be noted that the allocations included in the attachment may not represent the entire amount of City funding allocated for a particular use, as TOT allocations are sometimes augmented by other revenue sources, such as the Multi-Year Arts Grants Stabilization Fund.

Budget Category Summary

	2008-2009 Actual 1	2009-2010 Adopted 2	2009-2010 Estimate 3	2010-2011 Adopted 4	% Change (2 to 4)
Cultural Development	\$ 4,049,998	\$ 3,448,029	\$ 2,494,088	\$ 4,016,727	16.5%
Total	\$ 4,049,998	\$ 3,448,029	\$ 2,494,088	\$ 4,016,727	16.5%

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Budget Category: San José Convention and Visitors Bureau

Budget Category Overview

Approximately 25.7% of the 2010-2011 estimated TOT revenue in this fund is allocated to the San José Convention and Visitors Bureau (CVB). The City contracts with the CVB to provide long-term booking of events at the Convention Center, market the Convention Center, promote traveling to San José for business and pleasure, and assist visitors.

CVB also receives funding from the General Fund (shown in the City-Wide Expenses section of this document), Airport, and other sources such as San José businesses, restaurants, and hotels to provide similar services, which are not represented here.

Budget Category Summary

	2008-2009 Actual 1	2009-2010 Adopted 2	2009-2010 Estimate 3	2010-2011 Adopted 4	% Change (2 to 4)
SJ Convention/Visitors Bureau	\$ 3,559,360	\$ 2,224,768	\$ 2,138,279	\$ 2,572,000	15.6%
Total	\$ 3,559,360	\$ 2,224,768	\$ 2,138,279	\$ 2,572,000	15.6%

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Budget Category: Cultural Development

Budget Category Overview

Cultural Grants/Programs and Services	Total TOT Allocation
4th Annual American Indian Heritage Celebration	3,352
Abhinaya Dance Company of San Jose	23,638
Afsaneh Art and Culture	3,890
Annual Almaden Art & Wine Festival	8,576
Annual Luna Park Chalk Art Festival	3,706
Arab Film Festival	11,627
Areon Flutes Inc.	2,280
Arts Council Silicon Valley Music and Arts Campaign	5,000
Arts Education Plan Implementation	1,163
Arts Express	63,000
Arts Marketing	85,000
Ballet San Jose	134,453
Bark in the Park	9,686
Bay Area Glass Institute	27,332
California Cultural Data Project	40,000
Cambodian Cultural Dance Group	2,394
Center for Literary Arts, SJSU	7,172
Children's Discovery Museum of San Jose	111,314
Children's Musical Theater San Jose	105,033
Chinese Performing Artists	24,555
Christmas in the Park	10,413
Cinequest Film Festival	24,997
Cinequest	72,770
City Lights Theater Company of San Jose	28,039
Citywide Festival	8,575
Creative Entrepreneur Project Implementation	35,000
Cultural Grants Administration	551,877
Cultural Strategy Development/Implementation	25,000
Dancin' on the Avenue	10,413
Dia de Portugal Festival	6,458
Downtown Ice	27,997
Envision 2040 General Plan Update/Cultural Element	100,000
Firebird Youth Chinese Orchestra	17,813
Founder's Day Fandango	3,352
Grant Review Expenses	30,000
Technical Assistance and Grant Writing Workshop	20,000
Guitar Solo & Ensemble Festival	4,164
Habib Khan Saraswati Temple and Gurukul	3,432
Hiyas Philippine Folk Dance Company	12,311
International Russian Music Piano Competition	13,850
Italian Family Fiesta	10,413
Kaisahan of San Jose Dance Company	15,101
La Comparsa - Dia de los Muertos	4,164
Luther Burbank Jamboree	3,706
Lyric Theatre	10,772
MACLA/Movimiento de Arte y Cultura Latino Americana	43,111
Margaret Wingrove Dance Company of San Jose	10,772
Mexican Heritage Corporation	63,227

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Budget Category: Cultural Development

Budget Category Overview (Cont'd.)

Cultural Grants/Programs and Services	Total TOT Allocation
Mission Chamber Orchestra	10,174
Music in the Park	12,863
NAMP Conference Grant	25,000
Nikkei Matsuri	3,705
Northside Theatre Company	12,095
Office of Cultural Affairs Relocation	185,000
Opera San Jose	152,268
Programmatic reserve	135,000
Pumpkins in the Park	9,686
Rose, White and Blue 4th of July Parade	4,164
San Jose Chamber Music Society	12,311
San Jose Chamber Orchestra	19,819
San Jose Dance Theatre	12,311
San Jose Downtown Foundation	5,680
San Jose Institute of Contemporary Art	50,019
San Jose Jazz	79,459
San Jose Jazz Festival	24,997
San Jose Juneteenth Festival	5,871
San Jose Mariachi and Latin Music Festival	21,997
San Jose Multicultural Artists Guild	16,939
San Jose Museum of Art	137,906
San Jose Museum of Quilts & Textiles	42,183
San Jose Repertory Theater Recovery Grant	82,809
San Jose Salsa Festival	4,109
San Jose Stage Company	35,575
San Jose Symphonic Choir	9,047
San Jose Taiko	40,285
San Jose Veterans Day Parade	4,109
San Jose Youth Symphony	34,785
Silicon Valley Jewish Film Festival	10,259
sjDANCEco	10,938
Somos Mayfair	10,259
South Bay Guitar Society	13,465
Special Events Programming Committee SJSU	12,311
Spirit of Japantown Festival	6,457
Spring in Guadalupe Gardens	4,940
St. Paul's United Methodist Church	10,772
Starlight Cinemas	8,218
Steinway Society - The Bay Area	14,291
Symphony Silicon Valley	111,095
Teatro Vision	34,747
TOT Long-Term Reserve	451,991
TOT Revenue Shortfall Contingency	269,500
Vivace Youth Chorus	12,311
Winter Jazz Sunday Series	4,109
TOTAL	4,016,727

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